

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 TRSE-00 FRB-01 AID-05 CEA-01 CIAE-00

COME-00 EB-07 EA-06 INR-05 IO-10 NEA-06 NSAE-00

RSC-01 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 SWF-01

OMB-01 INRE-00 SSO-00 SS-15 NSC-05 NSCE-00 USIE-00

PRS-01 PA-01 /090 R

DRAFTED BY EUR/RPE:WCLARK

APPROVED BY EUR/RPE:MHLEVINE

TREASURY:JLISTER

FRB:CSIEGMAN (SUBS)

EUR/WE:EBEIGEL (INFO)

----- 031700

O R 120005Z DEC 74

FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

INFO AMEMBASSY ROME

USMISSION EC BRUSSELS

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DELIVER TO GERVERS 0900 THURSDAY DEC 12

E.O. 11652:N/A

-

TAGS: EGEN, OECD, IT

SUBJECT: EDRC ANNUAL REVIEW OF ITALY

REF: OECD 29494, ROME 17157

1. GENERALLY CONCUR WITH APPROACH SUGGESTED BY MISSION  
IN PARA 7 REF (A) AND WITH LINE OF QUESTIONING SUGGESTED  
BY EMBASSY IN PARA 7 REF (B).

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2. ONE KEY QUESTION IS DEGREE TO WHICH ANNOUNCED GOI RESTRICTIVE MEASURES ARE TAKING HOLD AT A TIME WHEN ITALIAN TREASURY FINANCING REQUIREMENTS ARE EXPECTED TO BE

ON THE ORDER OF EIGHT PER CENT OF GNP. IT WAS ESTIMATED THAT FISCAL RESTRAINT PROGRAM ANNOUNCED IN JULY WOULD REDUCE ITALIAN FISCAL DEFICIT BY A SUBSTANTIAL AMOUNT ON AN ANNUAL BASIS. HOWEVER, ESTIMATES ARE NOW THAT ITALIAN TREASURY FINANCING REQUIREMENTS IN 1974 WILL NOT BE DOWN AS MUCH AS MIGHT HAVE BEEN EXPECTED FROM THE ESTIMATE OF FINANCING REQUIREMENTS MADE PRIOR TO THE RESTRAINT PROGRAM. WE WOULD BE INTERESTED, THEREFORE, WHETHER GOI CAN QUANTIFY ANY RESULTS THAT MAY NOW BE APPARENT OF THE MID YEAR FISCAL RESTRAINT PROGRAM. (FYI. WE UNDERSTAND THAT FISCAL RESTRAINT PROGRAM WAS ESTIMATED TO SAVE

3,000 BILLION LIRE ON AN ANNUAL BASIS. HOWEVER, FINANCING REQUIREMENTS FOR 1974 ARE NOW 8,400 BILLION LIRA, DOWN ONLY ABOUT 800 BILLION LIRA FROM ESTIMATE OF 9,200 BILLION MADE PRIOR TO JULY. END FYI).

3. WHILE ACKNOWLEDGING THAT A NUMBER OF STEPS TO RESTRAIN THE AVAILABILITY OF CREDIT AND/OR INCREASE ITS COST HAVE BEEN TAKEN IN ITALY, MONETARY AGGREGATES HAVE NEVERTHELESS GROWN ABOUT 20 FROM MID 1973 TO MID 1974, JUDGING BY PART I TABLE H IN STATISTICAL ANNEX OF EDR (74)34. DOES GOI HAVE ANY MORE CURRENT DATA ON MONETARY AGGREGATES, SUCH AS THIRD QUARTER FIGURES?

4. WHAT RELATIVE WEIGHT DOES GOI GIVE TO CREDIT CEILINGS VERSUS OTHER WAYS OF RESTRICTING GROWTH OF MONETARY AGGREGATES? WE HAVE IMPRESSION GOI IS RELYING ON ADMINISTRATIVE RESTRICTIONS ON CREDIT TO RESTRAIN MONETARY GROWTH, RATHER THAN ON MEASURES TO REDUCE THE AVAILABILITY OF BANK LIQUIDITY. IN THIS REGARD WE WOULD NOTE THERE IS CONSIDERABLE DIRECT ADDITION TO MONETARY GROWTH AS A RESULT OF PURCHASE BY BANK OF ITALY OF GOI DEBT.

5. WE WOULD BE INTERESTED IN ANY ESTIMATE GOI MIGHT HAVE LIMITED OFFICIAL USE

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OF POTENTIAL EFFECT THAT TERMINATION OF IMPORT DEPOSITS WOULD HAVE ON THE MONEY SUPPLY AND ON IMPORTS.

6. ANY INDICATION ITALIANS MAY HAVE OF THEIR INTERNATIONAL BORROWING REQUIREMENTS NEXT YEAR WOULD BE OF INTEREST. INGERSOLL

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## Message Attributes

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**Concepts:** ECONOMIC DEVELOPMENT, COMMITTEES, ANNUAL REPORTS  
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